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26 MAY 1955

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MEMORANDUM FOR: Deputy Director (Support)

SUBJECT : Agency-sponsored Insurance Programs

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REFERENCE : (a) CIA Notice [redacted] dated 29 July 1954,
"Employee Services, Insurance Available to
Agency Employees" signed by DD/A

(b) Memorandum from IG to DD/E, same subject,
dated 26 April 1955

1. I have made a detailed study of reference (b).
2. Paragraph 3 of reference (b) cites "the dissatisfaction with the administration of these programs to date has been concerned primarily with three aspects of the health program." Attention was called to a paragraph in reference (a) reading as follows:

"Suitable credentials will be given to all subscribers as a guarantee for immediate admittance to any hospital. Claim payments up to the full limit of the subscriber's contract are guaranteed to the hospital."

The matter of giving Government Employees' Health Association (GEHA) credentials to members constituted a questionable practice, in the opinion of the Security Office, and permission to use them was denied, due to security implications. Therefore, the Insurance and Claims Branch, Employee Services Division, (ICB, ESD) was required to rely solely on the Group Hospital Insurance Form for hospital admissions. This form is used universally for both hospital admission and billing purposes. It is granted that this procedure fell short of answering the psychological effect which a wallet-size identification card carries in the minds of employees. However, the procedure has served a very valuable purpose. To our knowledge, there has not been a single instance, since 1 September 1954, in which a person has not been admitted to any hospital without prejudice and without the demand that a deposit be made upon entrance and/or release at the time of discharge, despite the lack of an identification card. It is, however, perfectly clear that in cases of emergency such as happen at night or during weekends, the Group

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Hospital Insurance Form is of no value and unquestionably creates concern in the minds of such members, particularly at a time when their minds are clouded with their own troubles.

3. The Office of Personnel has been constantly aware of this problem. Conferences have been held with the Security Office in an attempt to obtain approval for the use of identification cards by all overt employees. Also, approval was requested for the installation of a sterile telephone in order that hospitals might call the Insurance and Claims office to determine the scope of hospitalization coverage and whether or not such person is currently paid and eligible for hospitalization payments. Under date of 6 April 1955, the Security Office directed a memorandum (copy attached) to the attention of the Chief, ICB, ESD, granting the use of a sterile telephone but denying "for the time being" the privilege of issuing identification cards to employees.

4. Following the receipt of this memorandum, another conference was requested with the Security Office, and a meeting was arranged with the Chairman of the Board of GEHA, the Chief, ICB, and the Deputy Director of Security, with a number of the Policy Staff, Security Office, present. At that time there was a broad discussion of this matter, and the Security Office gave verbal approval to the use of the identification card which is similar to one utilized by Mutual of Omaha for its policyholders in the greater Washington area. A typical membership card has since been drafted by this office for final presentation to the Security Office and will probably receive the approval of that Office within the next two weeks.

5. There is one discrepancy in reference (b) in paragraph 3, page 1. Persons being admitted to a hospital should not state that they are covered by GEHA insurance, but rather that they are covered under a Mutual of Omaha hospitalization policy. GEHA is the group policyholder.

6. The subject matter of paragraph 5, reference (b), presents a problem which has a history dating back to the inception of the present Agency. I am in fact informed that the procedure was employed during the days of CIG and possibly before that time. In those early days, copies of policies were given to employees. It was determined, however, by the Security Office that certificates and policies of Agency insurance plans should not be given to members since such documents, if found in the possession of a member, might connect such a person with the Government or even the Agency and possibly result in injury to either the individual, the Agency or both. Further, it was found that after having initially given a few members policies or certificates, such persons frequently approached the underwriters directly. The Security Office has consistently opposed any practice which would have this result.

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7. Reference is made to the sentence in paragraph 5, reference (b), relating to the Master Policy on file in the ICB. Within the past few weeks photostatic copies of the Mutual Master Policy have been made, although not in sufficient number to meet the requirements suggested in this paragraph. Fifteen of such photostatic copies, numbered and charged to individuals, were distributed to each of the OO/Contact [] offices. Additional copies can be requested and made available to any component of the Organization requiring same. It is assumed, however, that such a decision would have to be reached by the head of each major component of this Agency, i.e., distribution both domestically and (in properly sterilized form) to all overseas stations. It would certainly seem that certificates of insurance of each Master Contract in operation by CHIA could be security screened and safely placed in the hands of all overt employees of this Agency. It is also possible that properly sterilized certificates might safely be forwarded to employees at overseas facilities, although it is assumed that such release to all overt and covert personnel world-wide would call for careful study by and approval of the appropriate security offices within the Agency.

8. The problems posed under paragraph 6, reference (b), dealing with monthly premium payments, are of such scope that we do not believe we can adequately treat them in a written memorandum. In this regard, even though a certain decentralization for the payment of premiums may be desirable, both from the standpoint of convenience to the employee as well as a major saving in man-hours each year, such a move will demand study and the installation of sound business practices as would the activation of a branch bank or the branch office of an insurance company. If such considerations can be afforded and adequate space and staffing arranged so that there might be, for example, two or three branches in operation in other convenient points in the Agency, such offices could no doubt be established with some additional expenditure by the Agency. In this connection it should be noted that for a number of months this office has been encouraging payment of premiums by check through Agency mail. This plan is working extremely well with the exception of persons who are remitting cash money through Agency mail which, it can be realized, is a highly questionable and dubious practice. However, through the issuance of new administrative procedures along this line, the matter of premium payments as a material problem would be greatly reduced or possibly cease to exist.

9. The man-hour losses incurred in making premium payments has been of as great concern to us as to the Inspector General. At the time of the incorporation of the Federal Employees Group Life Insurance in the Agency, the Chief, ICB, met with the General Counsel to determine whether the payroll-deduction feature of that insurance could also be used in our other insurance and hospitalization policies.

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He was informed, by the General Counsel, that this could not be done since it was not permitted by law. Had it been possible, this entire problem would have been solved.

10. It is felt that the various subjects discussed in reference (b), especially those mentioned in paragraphs 5 and 6, merit the considered discussion and action of the various components of the Agency most concerned with the overall administration of the GENA problem. We believe this can best be done by a round-table meeting attended by persons qualified to act for these various interested components. In this way we believe the problems cited can be thoroughly reviewed, given expeditious attention and action, and brought to a quick and satisfactory conclusion. We strongly recommend such a meeting.

11. The content of paragraph 7, reference (b) which relates to the visiting Inspector-General team presents very realistic problems which are similar to those on the domestic side. The problems presented therein can be discussed at such a meeting as is suggested above.

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Harrison G. Reynolds
Director of Personnel

Attachment

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